

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268

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Postal Rate and Fee Changes, 1997

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Docket No. R97-1

TRIAL BRIEF OF AMMA

The Advertising Mail Marketing Association ("AMMA") submits this Trial Brief in accordance with the schedule established for the submission of briefs relating to Intervenor's cases in chief.

AMMA witness Gary M. Andrew succinctly states the thrust of his testimony:

The purpose of my testimony is to present the results of this research and to propose destination entry discounts based on 100% passthrough of cost savings consistent with the PRC's decision in MC95-1.

AMMA-T-2 at 3, ll. 7-9 (footnote omitted).^{1/}

The Commission is, of course, intimately familiar with the considerations that led it to endorse a passthrough of 100% of the cost savings occasioned by destination entry worksharing for the Standard Mail (A) Regular and ECR subclasses in its MC95-1 decision. Dr. Andrew has calculated the results of a similarly designed discount for destination entered Standard (A) commercial mail in this proceeding and presents the results of that calculation at his Tables 1 and 5. AMMA-T-2, 5, 11. He has also

^{1/} Dr. Andrew's proposal relates only to commercial Standard (A) Regular and Standard (a) ECR dropshipped mail. AMMA has no objection to application of 100% passthroughs to non-profit mail as well.

calculated the necessary changes to Standard Mail (A) commercial base rates necessary to make his increased passthroughs revenue neutral across the affected subclasses. AMMA-T-2 at 12 (Table 6).^{2/}

AMMA witness Schick explains the importance of the effects of the rate revision proposed by Dr. Andrew to the mailing decisions of those who use dropshipping for their Standard (A) mail. In Mr. Schick's analysis, the harmful potential of the Postal Service proposal is not so much in the absolute rates resulting from a decrease in the passthrough percentages, but the change in the differential between the BMC and SCF destination entry discounts. As Mr. Schick puts it "under the proposed rates, it is simply worth less -- by \$2.00 per thousand -- to drop enter at a SCF than it is at current rates." USPS/AMMA-T-1-1 (restated AMMA-T-1 at 4, ll. 2-3 (footnote omitted)). Mr. Schick confirms his experience ". . . that the deeper mail is entered into the postal system, the greater the monetary and non-monetary benefits to both the mailer and the postal system." *Id.* at 5 ll. 19-21. Obviously, a narrowing of the discount differential between SCF-entered and BMC-entered mail discourages in some measure deeper entry of mail and thus disserves the interest of both mailers and the Postal Service.

^{2/} The Commission will note that the necessary base rate increase is different for the Standard (A) Regular and ECR subclasses. This is because a relatively higher proportion of ECR mail is dropshipped. The larger resulting discounts require a larger increase in base rates to accomplish revenue neutrality within the ECR subclass.

It is for these reasons that AMMA, through the two witnesses whose testimony is discussed above, advocates passing through 100% of the cost savings calculated by the Postal Service for dropshipped Standard (A) commercial mail.

Respectfully submitted,



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February 10, 1998

CERTIFICATE OF SERVICE

I hereby certify that I have on this date served this document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.


N. Frank Wiggins

DATE: February 10, 1998